

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2024



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MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.

Contents

June 30, 2024

	<u>Page (s)</u>
<u>Independent Auditors' Report</u>	1-3
<u>Financial Statements</u>	
Statement of Financial Position at June 30, 2024	4-5
Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2024	6-7
Statement of Functional Expenses for the Year Ended June 30, 2024	8
Statement of Cash Flows for the Year Ended June 30, 2024	9
Notes to Financial Statements	10-25
<u>Supplementary Information</u>	
Schedule of Expenditures of Federal and State Awards For the Year Ended June 30, 2024	26-30
Notes to Schedule of Expenditures of Federal and State Awards	31
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	32-33
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey OMB Circular Letter 15-08	34-36
Schedule of Findings and Questioned Costs	37-39



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mental Health Association of Essex and Morris, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mental Health Association of Essex and Morris, Inc. (the "Association"), a New Jersey Nonprofit Organization, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mental Health Association of Essex and Morris, Inc. as of June 30, 2024, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adjustment to Prior Period Financial Statements

As part of our audit of the June 30, 2024 financial statements, we also audited the adjustment described in Note 17 that was applied to restate the 2023 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply procedures to the 2023 financial statements of the Association other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2023 financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including commissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd.)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, shown on pages 26 and 31, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and New Jersey Office of Management and New Jersey OMB Circular Letter 15-08, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2023, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Association's internal control over financial reporting and compliance.



MAGONE & COMPANY, P.C.

Parsippany, New Jersey
October 29, 2024

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Statement of Financial Position
June 30, 2024

ASSETS

CURRENT ASSETS:

Cash	\$ 3,108,819
Accounts held in escrow	201,227
Investments	5,021,136
Accounts receivable	354,798
Grants and contracts receivable	818,017
Prepaid expenses and other current assets	<u>301,658</u>
TOTAL CURRENT ASSETS	9,805,655
RESTRICTED INVESTMENTS	344,522
PROPERTY AND EQUIPMENT, NET	10,376,898
RIGHT-OF-USE ASSETS UNDER OPERATING LEASES	1,007,586
INTANGIBLE ASSETS, NET	<u>42,345</u>
TOTAL ASSETS	<u>\$ 21,577,006</u>

The accompanying notes are an integral part of these financial statements.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Statement of Financial Position
June 30, 2024

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Current portion of mortgage notes payable	\$ 363,892
Current operating lease liabilities	520,562
Accounts payable and accrued expenses	358,642
Accrued payroll and related liabilities	1,107,920
State advances payable	2,474,793
Deferred revenue	<u>753,406</u>

TOTAL CURRENT LIABILITIES 5,579,215

LONG-TERM DEBT:

Mortgage notes payable	3,303,637
Less unamortized debt issuance costs	<u>109,643</u>

Mortgage notes payable, net	3,193,994
Long-term operating lease liabilities	517,355
Forgivable loans payable	<u>2,251,000</u>

TOTAL LONG-TERM DEBT 5,962,349

TOTAL LIABILITIES 11,541,564

COMMITMENTS AND CONTINGENCIES

NET ASSETS:

Without donor restriction	9,450,631
With donor restrictions	<u>584,811</u>

TOTAL NET ASSETS 10,035,442

TOTAL LIABILITIES AND NET ASSETS \$ 21,577,006

The accompanying notes are an integral part of these financial statements.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND SUPPORT:			
Government Grants and Contracts:			
Federal and state grants and contracts	\$ 12,108,862	\$ -	\$ 12,108,862
Morris county grants and contracts	<u>489,408</u>	<u>-</u>	<u>489,408</u>
Total Government Grants and Contracts	<u>12,598,270</u>	<u>-</u>	<u>12,598,270</u>
Revenues:			
Medicaid and medicare	5,850,813	-	5,850,813
New Jersey Mental Health Application for Payment Processing	2,146,368	-	2,146,368
Net realized and unrealized gain on investments	354,370	27,461	381,831
Managed care organization	347,525	-	347,525
Fee for service	335,112	-	335,112
Rental income	284,037	-	284,037
Interest and dividends	218,537	12,130	230,667
Other revenue	<u>292,297</u>	<u>13,344</u>	<u>305,641</u>
Total Revenues	<u>9,829,059</u>	<u>52,935</u>	<u>9,881,994</u>
Public Support:			
Contributions and mebership dies	102,136	-	102,136
Bequests and annuities	-	-	-
Grants	628,381	149,700	778,081
Special events	<u>69,775</u>	<u>-</u>	<u>69,775</u>
Total Public Support	<u>800,292</u>	<u>149,700</u>	<u>949,992</u>
Net Assets Released from Restrictions	<u>151,058</u>	<u>(151,058)</u>	<u>-</u>
TOTAL REVENUE, GAINS AND SUPPORT - BALANCE CARRIED FORWARD	<u>\$ 23,378,679</u>	<u>\$ 51,577</u>	<u>\$ 23,430,256</u>

The accompanying notes are an integral part of these financial statements.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
TOTAL REVENUE, GAINS AND SUPPORT - BALANCE BROUGHT FORWARD	\$ 23,378,679	\$ 51,577	\$ 23,430,256
EXPENDITURES:			
Program services	19,461,561	-	19,461,561
Management and general	3,019,215	-	3,019,215
Fundraising	121,832	-	121,832
TOTAL EXPENDITURES:	<u>22,602,608</u>	<u>-</u>	<u>22,602,608</u>
CHANGE IN NET ASSETS	<u>776,071</u>	<u>51,577</u>	<u>827,648</u>
NET ASSETS, BEGINNING (AS PREVIOUSLY REPORTED)	9,858,544	1,600,250	11,458,794
PRIOR PERIOD ADJUSTMENT (NOTE 17)	<u>(1,183,984)</u>	<u>(1,067,016)</u>	<u>(2,251,000)</u>
NET ASSETS, BEGINNING (AS RESTATED)	<u>8,674,560</u>	<u>533,234</u>	<u>9,207,794</u>
NET ASSETS, ENDING	<u>\$ 9,450,631</u>	<u>\$ 584,811</u>	<u>\$ 10,035,442</u>

The accompanying notes are an integral part of these financial statements.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services														Total Program Services	Management and General	Fundraising	Total			
	Integrated Case Management Service Program	Prospect House Programs	Supported Employment Programs	Family Support Programs	Youth Programs	Criminal Justice/Jail Diversion Programs	Community Support Services	Center for Behavioral Health	Riskin Children's Center	Assisted Outpatient Treatment Programs	Homeless Services Programs	CECF Programs	Early Intervention Support Services	Co-Response Programs					NHS	Substance Abuse Program	
Salaries and wages	\$ 1,874,212	\$ 1,087,483	\$ 202,556	\$ 413,494	\$ 65,612	\$ 897,718	\$ 1,429,568	\$ 303,218	\$ 166,629	\$ 707,788	\$ 1,123,329	\$ 391,138	\$ 705,813	\$ 269,746	\$ 1,281,009	\$ 99,149	\$ 11,018,462	\$ 1,932,116	\$ 59,938	\$ 13,010,516	
Fringe benefits and payroll taxes	519,613	301,498	56,157	114,638	18,191	248,886	396,338	84,065	46,197	196,230	311,436	108,440	195,682	74,785	355,151	27,488	3,054,796	535,666	16,617	3,607,080	
Professional fees	690	111,774	492	1,150	68,572	3,193	30,976	4,299	246	71,454	21,075	68,186	7,254	(9)	293,690	11,768	701,020	66,444	-	767,464	
Depreciation and amortization	105,392	62,442	4,959	17,763	5,780	31,493	222,994	7,294	728	24,902	41,518	15,857	29,860	9,932	29,050	6,259	616,223	34,158	-	650,381	
Consumer assistance	12,433	12,978	2,132	2,248	10,112	19,468	202,895	1,893	-	14,648	293,434	5,321	8,679	-	5,321	6,852	582,980	-	-	582,980	
Repairs and maintenance	23,355	132,483	1,252	19,427	10,112	4,983	182,292	14,035	-	11,220	20,835	10,058	13,583	-	20,835	21,344	510,615	66,862	2,293	579,771	
Occupancy	106,412	-	13,255	7,913	-	112,616	74,520	1,219	-	39,113	56,026	4,395	94,925	-	45,635	19,017	510,394	-	-	529,411	
Travel, transportation and conference	95,447	43,883	4,313	4,503	45	27,827	73,026	886	-	30,817	48,300	23,772	6,326	6,332	31,912	875	398,264	42,455	2,563	443,282	
Insurance	73,991	35,106	3,988	10,950	6,637	29,570	78,009	3,669	1,601	23,305	40,114	16,232	16,616	1,554	26,731	3,023	371,098	43,392	-	414,490	
Information technology	47,173	31,594	3,092	11,285	6,489	18,125	38,588	7,171	1,823	13,067	21,613	8,694	18,416	19	26,031	1,876	255,059	81,549	19,379	355,987	
Public awareness	3,480	3,480	3,480	3,480	3,480	3,480	3,480	3,480	3,480	3,480	3,480	70,797	-	3,480	118,881	3,480	234,918	3,480	-	238,398	
Supplies	17,807	16,489	1,857	10,208	793	14,279	32,070	4,359	1,873	8,072	12,003	10,537	22,463	138	30,208	2,689	185,845	35,989	1,984	223,818	
Telephone	31,224	17,073	3,056	9,006	502	13,262	33,749	8,741	1,152	11,255	23,410	11,191	9,010	1,532	11,082	2,638	187,884	17,516	-	205,399	
Utilities	18,186	40,248	1,157	3,546	2,298	7,546	60,434	2,985	-	3,276	8,663	4,393	-	-	13,770	6,688	173,190	19,054	-	192,243	
Equipment rental and maintenance	22,599	17,667	445	10,316	849	15,519	23,584	6,247	-	10,760	9,248	3,234	7,168	-	12,805	1,067	141,508	14,637	735	156,880	
Food	-	116,829	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116,829	-	-	116,829	
Training	5,870	3,922	425	1,109	1,144	2,836	5,817	620	203	3,348	3,436	28,437	1,863	95	50,570	431	110,128	3,536	-	113,664	
Recruitment and Onboarding	8,003	6,193	170	1,444	141	11,233	21,831	3,267	65	6,072	15,915	2,983	9,765	11,696	9,838	2,131	110,745	851	274	111,870	
Payroll expenses	11,895	7,142	892	2,086	2,532	5,653	11,903	1,187	446	3,567	6,832	2,826	3,869	-	7,301	597	68,727	6,847	-	75,574	
Real estate tax expenses	7,084	-	-	-	-	-	7,084	-	-	7,084	7,084	7,084	-	-	7,084	7,084	49,591	7,084	-	56,675	
Association expense	5,210	-	-	-	-	-	5,210	-	-	5,210	5,210	5,210	-	-	5,210	5,210	36,467	5,210	-	41,676	
Subscriptions, publications and dues	855	2,209	52	177	147	537	2,832	1,763	26	860	531	290	1,818	-	698	723	13,518	11,161	369	25,048	
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,313	-	17,313
Mental health association dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,368	-	12,368
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,775	-	8,775
Postage & printing	1,244	-	27	491	97	109	917	394	145	152	190	397	28	-	760	62	5,014	2,739	367	8,120	
Minor equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	869	-	869
Unrelated business taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,955	-	4,955
Miscellaneous	648	-	-	116	-	66	141	25	-	273	343	217	-	-	101	-	1,930	42,483	-	44,412	
TOTAL EXPENDITURES	\$ 2,999,035	\$ 2,056,852	\$ 303,757	\$ 645,350	\$ 193,421	\$ 1,468,399	\$ 2,938,261	\$ 460,816	\$ 224,612	\$ 1,195,952	\$ 2,074,023	\$ 799,691	\$ 1,153,138	\$ 379,301	\$ 2,357,516	\$ 211,436	\$ 19,461,561	\$ 3,019,215	\$ 121,832	\$ 22,602,608	

The accompanying notes are an integral part of these financial statements.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Statement of Cash Flows
For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 827,648
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation and amortization	650,381
Amortization of debt issuance costs	8,572
Net unrealized gains on the investments	(348,748)
Gain on sale of property and equipment	(11,011)
NET CHANGES IN OPERATING ASSETS AND LIABILITIES:	
(Increase) decrease in operating assets:	
Accounts receivable	(45,238)
Grants and contracts receivable	(312,245)
Charitable lead annuity trusts	15,074
Prepaid expenses and other current assets	(42,214)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	103,550
Accrued payroll and related liabilities	199,061
State advances payables	176,689
Operating lease obligations	(14,081)
Deferred revenue	67,998
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,275,436</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(1,161,588)
Proceeds from sale of investments	148,573
Purchases of investments	<u>(375,000)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,388,015)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments of mortgage notes payable	<u>(16,048)</u>
NET CHANGE IN CASH	(128,627)
CASH AND RESTRICTED CASH - BEGINNING	<u>3,438,673</u>
CASH AND RESTRICTED CASH - ENDING	<u>\$ 3,310,046</u>
Supplemental cash flow information:	
Cash paid during the year for interest	<u>\$ 8,775</u>

The accompanying notes are an integral part of these financial statements.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 1 - Nature of Business

The Mental Health Association of Essex and Morris, Inc. (the "Association") is a nonprofit organization serving Essex, Morris, Sussex, Passaic, and Middlesex Counties in New Jersey. The Association's mission is to promote mental health and addiction recovery, including the integration of physical healthcare, to improve the care and treatment of individuals with mental illness and addictions, and to remove the stigma associated with emotional and mental disorders. This is accomplished through advocacy, education, prevention, early intervention, treatment, and service. The Association's revenues are derived principally from state and federal funding, and support from the general public.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time and other net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

In the absence of donor restrictions, contributions and bequests are considered to be available for unrestricted use. All income is recognized in the period when the contribution, pledge, or unconditional promise to give is received.

The Association records donor restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value

Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2:** Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3:** Valuations based on unobservable inputs used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk (or other parties such as counterparty in a swap) in its assessment of fair value.

The fair value of investments is summarized as follows:

Mutual funds – valued at the net asset value of shares held by the Association at year-end.

Certificates of deposit – estimated using rates currently offered for deposits of similar remaining maturities.

Bonds – valued using pricing models maximizing the use of observable inputs for similar securities.

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Cash and Cash Equivalents

For the purpose of reporting of cash flows, the Association considers all highly liquid investments purchased with a maturity of three months or less at acquisition as cash and cash equivalents in the accompanying statements of financial position.

Investments

Investment income is presented net of investment advisory/management fees and is reflected as realized and unrealized gain (loss) on investments in the accompanying statements of activities and changes in net assets. All investment income is credited directly to net assets without donor restrictions unless otherwise restricted by the donor. All capital appreciation/depreciation earned on investments is reported as a change in unrestricted net assets unless otherwise restricted by the donor. All investments are carried at fair value with the related gains and losses in the statements of activities and changes in net assets.

Receivables and Allowance for Credit Losses

Accounts receivable represents amounts due from Medicaid.

Grants and contracts receivable represents amounts due for financial assistance received from federal, state, and local government entities in the form of grants are recognized on a cost-reimbursement basis and are recorded in government grants and contracts on the accompanying statements of activities and changes in net assets.

The amounts are stated net of an allowance for credit losses. An allowance for credit losses is maintained at a level which in the management's judgment is adequate to absorb losses for bad debts inherent in the account. The amount of the allowance for credit losses is based on management's evaluation of the collectability of the receivables, including the account's nature, credit concentrations, trends in historical loss experience, economic conditions, and other risks inherent in the account. The allowance is increased by a provision for credit losses, which is charged to expense, and reduced by write-offs, net of recoveries. Consequently, no allowance has been recorded in 2024.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received or promised. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Mortgage Notes Payable

The Association occasionally enters into mortgage notes payable transactions with various state government agencies, some of which are forgivable upon passage of time and the performance of the terms of the loans. The Association does not discount noninterest-bearing or below-market-rate loans from government agencies.

Deferred Revenue

Deferred revenue represents revenues received in advance not yet earned.

Property and Equipment

Property and equipment are recorded at cost on the date of acquisition, or at the fair market value of the asset, based on values of comparable assets at the date of gift for donated assets. Property and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 40 years. The estimated useful lives of the assets are as follows:

Buildings and improvements	5 - 40 years
Furniture and fixtures	5 - 7 years
Transportation equipment	5 years
Computer equipment	3 - 5 years

In the absence of donor imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs, and minor renewals are charged to operations as incurred, significant renewals and betterments greater than \$7,500 that increase the useful life of the assets are capitalized.

Although the title to all property and equipment is held by the Association, state funding sources may maintain an equitable interest in the property purchased with grant monies, as well as the right to determine the use of proceeds from the sale of those assets.

State Advances Payable

State advances payable represents amounts due back to the state due to underspending on certain programs. The amount owed to the state as of June 30, 2024 is \$2,474,793.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Debt Issuance Costs

Debt issuance costs are reported on the statement of financial position as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the interest method. The Association reflects amortization of debt issuance costs within interest expense.

Revenue Recognition

Funds received from various federal, state, and local agencies represent grants awarded to the Association to provide program services. Revenue with respect to these awards is recognized to the extent of expenses incurred under the award terms, pursuant to donor imposed restrictions. Upon completion or expiration of a grant, unexpended funds are not available to the Association and must be returned to the awarding agency. Amounts received from granting agencies in excess of incurred expenditures are recorded as state advances payable in the statements of financial position.

The Association also derives its revenue from Medicaid, Medicare, Welfare, private insurance, Non-Medicaid (New Jersey Mental health Application for Payment Processing or "NJMHAPP") and Managed Care programs. All are subject to the rules and regulations of the various programs. Revenues are recognized when services are transferred to the Association's clients in an amount that reflects the consideration the Association expects to be entitled to in exchange for those services. For the performance obligation relating to Medicaid, Medicare, Welfare and private insurance, control transfers to the client over time as the services are provided to the client. Revenue under direct receipts for services are recognized based on agreed-upon hourly rates. There are no significant financing components or variable considerations provided to clients.

Functional Allocation of Expenses

Program services, management and general, and fundraising expenses have been recorded in the statement of activities and changes in net assets and on the statement of functional expenses based on both a direct-costing method for those expenses directly attributable to a particular program or special event, or on an allocation basis based on the salary percentage of each program to total salaries for joint costs attributable to all functions. The Association's management allocates management and general expenses based upon analysis of time expended on various grants.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Income Taxes

The Association is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Association's financial statements.

The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Association's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the fiscal year ended June 30, 2024. There are no significant income tax uncertainties at June 30, 2024.

Endowment Funds

The Association reports permanently restricted net assets held for educational purposes and other related activities in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Leases

The Association recognizes right-of-use assets and lease liabilities when the Association has both the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the identified asset.

The Association utilizes the rate implicit in the lease if it is readily determinable, regardless of whether it is higher than the Association's incremental borrowing rate, in determining the lease liability. If the rate implicit in the lease is not readily determinable, the discount rate reflects the Association's incremental secured borrowing rate.

Adoption of New Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13" or "ASC 326"). ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. During 2019, the FASB issued additional ASUs amending certain aspects of ASU 2016-13.

On July 1, 2023, the Association adopted the new accounting standard and all of the related amendments using the modified retrospective method. The adoption of Topic 326 did not result in any material adjustments to the statement of financial position accounts related to accounts receivable.

Subsequent Events

The Association has evaluated events subsequent to the statement of financial position date as of June 30, 2024 through October 29, 2024, the date that the financial statements were available to be issued.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 3 - Disaggregation of Revenue

The following table disaggregates revenue by grant and contribution source, which the Association believes best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors for the year ended June 30, 2024:

Federal and state grants and contracts:	
New Jersey Division of Mental Health Services	\$ 8,522,204
New Jersey Department of Children and Families	2,738,672
U.S Department of Housing and Urban Development	193,690
New Jersey Department of Community Affairs	187,168
U.S. Department of Health and Human Services	71,412
Others	<u>395,716</u>
	<u>\$ 12,108,862</u>
Medicaid and Medicare:	
Medicaid	\$ 5,719,474
Medicare	<u>131,339</u>
	<u>\$ 5,850,813</u>

Note 4 - Statement of Cash Flows

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total of the same such amounts in the statements of cash flows for the year ended June 30, 2024:

Cash	\$ 3,108,819
Accounts held in escrow	<u>201,227</u>
	<u>\$ 3,310,046</u>

Amounts included in accounts held in escrow are comprised of various escrow accounts as required by regulatory authority.

Note 5 - Investments

The Association has categorized its investments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in the active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within the different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investments.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 5 - Investments (cont'd.)

The Investment Committee periodically monitors the investment portfolios for consistency in each investment manager's investment philosophy, return relative to objectives and investment risk measured by asset concentration, exposure to extreme economic conditions, and volatility.

Cash and cash equivalents include short-term, highly liquid investments with maturity dates of three months or less on the date of acquisition.

The following is the fair value measurements for the year ended June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 106,371	\$ -	\$ -	\$ 106,371
Certificates of deposit	1,129,429	-	-	1,129,429
Bonds	1,939,207	-	-	1,939,207
Mutual Funds	<u>2,190,651</u>	<u>-</u>	<u>-</u>	<u>2,190,651</u>
Investments at Fair Value	<u>\$ 5,365,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,365,658</u>

Note 6 - Property and Equipment

Property and equipment consist of the following at June 30, 2024:

Building and improvements	\$ 8,851,419
Transportation equipment	2,632,730
Furniture and fixtures	342,768
Computer equipment	<u>120,866</u>
	1,947,783
Less accumulated depreciation	<u>5,315,561</u>
	6,632,222
Land	<u>3,744,676</u>
	<u>\$ 10,376,898</u>

Depreciation expense for the year ended June 30, 2024 was \$643,239.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 7 - Mortgage Notes Payable

Mortgage notes payable consists of the following at June 30, 2024:

Mortgage payable to New Jersey Housing and Mortgage Finance Agency (“NJHMFA”) had a maturity date in November 2023, bearing no interest. Principal to be repaid with 25% of the project’s annual available cash flow (for a term not to exceed 15 years). The mortgage is collateralized by land and building on Bay Avenue in Bloomfield, New Jersey, and the property is restricted to specific uses specified by NJHMFA. The Association is in negotiation with NJHMFA to extend or refinance the mortgage.	\$ 363,892
Mortgage payable to NJHMFA has a maturity date in October 2039, bearing no interest. Principal to be repaid with 25% of the project’s annual available cash flow (for a term not to exceed 30 years). The mortgage is collateralized by land and building on 16th Street in Bloomfield, New Jersey, and the property is restricted to specific uses specified by NJHMFA. The unpaid balance at maturity will be renegotiable under new terms.	503,237
Mortgage payable to NJHMFA has a maturity date in October 2039, bearing no interest. Principal to be repaid with 25% of the project’s annual available cash flow (for a term not to exceed 30 years). The note is collateralized by land and building in Nutley, New Jersey, and the property is restricted to specific uses specified by NJHMFA. The unpaid balance at maturity will be renegotiable under new terms.	1,184,188
Mortgage payable to NJHMFA has a maturity date in August 2042, bearing no interest. Principal to be repaid with 25% of the project’s annual available cash flow (for a term not to exceed 30 years). The note is collateralized by land and building in Montclair, New Jersey, and the property is restricted to specific uses specified by NJHMFA. The unpaid balance at maturity will be renegotiable under new terms.	<u>1,616,212</u>
Total Mortgage Notes Payable	3,667,529
Less: Current maturities	363,892
Debt issue costs	<u>109,643</u>
	<u>\$ 3,193,994</u>

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 7 - Mortgage Notes Payable (cont'd.)

Amortization of debt issuance costs of approximately \$8,600 for the year ended June 30, 2024, is reported on the statement of activities and changes in net assets as interest expense.

At June 30, 2024, the aggregate maturities of long-term debt are as follows:

2025	\$ 363,892
2026	-
2027	-
2028	-
2029	-
Thereafter	<u>3,303,637</u>
	<u>\$ 3,667,529</u>

Note 8 - Forgivable Loans Payable

Mortgage payable to the County of Essex in the amount of \$182,000, due April 2028, bearing no interest and requiring no principal payments as long as the Association abides by the restriction in the note. The note is collateralized by land and building on Bay Avenue in Bloomfield, New Jersey. The note is scheduled to be forgiven after the 20-year compliance period. The amount outstanding as of June 30, 2024 was \$182,000.

Mortgage payable to the County of Essex in the amount of \$110,000, due March 2029, bearing no interest and requiring no principal payments as long as the Association abides by the restriction in the note. The note is collateralized by land and building on 16th Street in Bloomfield, New Jersey. The note is scheduled to be forgiven after the 20-year compliance period. The amount outstanding as of June 30, 2024 was \$110,000.

Mortgage payable to the County of Essex in the amount of \$280,000, due July 2029, bearing no interest and requiring no principal payments as long as the Association abides by the restriction in the note. The note is collateralized by land and building in Nutley, New Jersey. The note is scheduled to be forgiven after the 20-year compliance period. The amount outstanding as of June 30, 2024 was \$280,000.

Mortgage payable to the Department of Housing and Urban Development in the amount of \$829,000, due November 2030, bearing no interest and requiring no principal payments as long as the Association abides by the restriction in the note. The note is collateralized by land and building in Montclair, New Jersey. The note is scheduled to be forgiven after the 20-year compliance period. The amount outstanding as of June 30, 2024 was \$829,000.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 8 - Forgivable Loans Payable (cont'd.)

Mortgage payable to the County of Essex in the amount of \$850,000, due July 2029, bearing no interest and requiring no principal payments as long as the Association abides by the restriction in the note. The note is collateralized by land and building in Bloomfield, New Jersey. The note is scheduled to be forgiven after the 20-year compliance period. The amount outstanding as of June 30, 2024 was \$850,000.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2024:

Net Assets with Donor Restrictions:

Restricted due to time or use:

Prospect House	\$ 212,976
Supportive Housing	137,958
Children Psychiatric Services	118,916
Other	<u>37,866</u>

Total restricted due to time or use 507,716

Restricted in perpetuity – endowment - Kruvant 77,095

Total Net Assets with Donor Restrictions \$ 584,811

Net assets released from restrictions were \$151,058 for the year ended June 30, 2024.

Note 10 - Retirement Plan

The Association currently maintains a defined-contribution, safe harbor profit-sharing plan. The plan is open to all employees who meet certain eligibility requirements. The Safe Harbor Plan provides up to a 4% match and discretionary employer contributions to be determined at year-end by the Board of Directors. As of June 30, 2024, there were 258 employees participating in the plan. Contribution expense for the year ended June 30, 2024, was approximately \$668,298.

Note 11 - Concentrations of Risks

Financial instruments that expose the Association to concentrations of credit risk consist primarily of cash, cash equivalents, receivables, investments, and debt. The Association maintains its cash in various financial institutions. The balances in the Association's operating accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Association's balances may exceed this limit. As of June 30, 2024, the cash balances exceeded this limit by \$72,000.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 11 - Concentrations of Risks (cont'd.)

The Association receives the majority of its funding from various federal, state, and local governmental agencies. The operations of the Association are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies. Such administrative directives, rules, and regulations are subject to changes that may occur because of inadequate funding with little notice to pay for the related costs, including the additional administrative burden, to comply with a change. In addition, under the terms of certain State of New Jersey grants, periodic audits of the grants are required. Such audits could result in claims against the Association for disallowed costs or noncompliance with grantor restrictions. Provisions for estimated adjustments resulting from audit and final settlement have been recorded. Differences between the estimated adjustments and the amount settled are recorded in the year of settlement.

The Association receives support and revenue primarily from grants, fees from governmental agencies, resident and private fees and special events. A significant reduction of such support could have a material impact on the Association's operations. Management does not expect that its support will be materially reduced.

Approximately 55% of the Association's revenue for the year ended June 30, 2024, is from government grants and contracts and fee-for-service (non-Medicaid) revenue.

The Association's receivables are concentrated with Medicaid and a significant amount of its debt financing is concentrated with governmental agencies. A considerable balance of the Association's investments are concentrated in mutual funds and certificates of deposit. The Association's exposure to concentrations of credit risk is limited by its policy of investing in diverse investments that can be easily converted to cash.

Note 12 - Leasing Activities

The Association leases four office spaces under operating leases having lease terms of up to 60 months with monthly lease payments of \$37,007. Certain leases include renewal options that can extend the lease term up to 3 years. The exercise of lease renewal option is at the Association's sole discretion and is not included in measurement of lease asset and liabilities as it is not reasonably certain that the option to renew will be exercised. Common area maintenance, taxes and other charges are accounted for as variable lease components. Rent paid amounted to \$436,159 for the year ended June 30, 2024.

The Association also leases equipment and vehicles having lease terms ranging from 36 to 63 months with monthly lease payments ranging from \$2,718 to \$9,620. These leases are recognized as operating leases in accordance with ASC 842.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 12 - Leasing Activities (cont'd.)

The following summarizes the line items in the statement of financial position which include amounts for the operating leases as of June 30, 2024:

Right-of-use asset under operating leases	<u>\$ 1,007,586</u>
Current maturities of operating leases Obligations	\$ 520,562
Operating lease obligations, net of current maturities	<u>517,355</u>
Total operating lease obligations	<u>\$ 1,037,917</u>

Weighted Average Remaining Lease Term for operating leases as of June 30, 2024 is 27 months.

Weighted Average Discount Rate for operating leases as of June 30, 2024 is 3.24%.

The maturities of operating lease obligations as of June 30, 2024 are as follows:

Years ending June 30:

2025	\$ 545,179
2026	393,801
2027	94,504
2028	<u>43,783</u>
	1,077,267
Less interest	<u>39,350</u>
Present value of operating lease obligations	<u>\$ 1,037,917</u>

The line item in the statements of activities which include the components of lease expense is the operating lease expense, included in occupancy, travel, and equipment rental, amounting to \$580,707 for the year ended June 30, 2024. Lease assets obtained in exchange for operating lease obligations were \$246,909 as of June 30, 2024.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 13 - Commitments and Contingencies

Contributions

The Association contributes to the support of the State and National Mental Health Associations. The Association has paid or accrued \$13,297 for the year ended June 30, 2024.

Grant Advance

During the year ended June 30, 2024, the Association estimated that approximately, \$215,000, of the state contract was projected to be unused by the end of the grant years. The Association was granted the approval to use these funds by the state with a requirement to submit the purpose for the use of such funds. The amount is included in deferred revenue for the year ended June 30, 2024, in the accompanying statements of financial position.

Litigation

The Association is involved in various claims, potential unasserted claims, employment claims, and legal actions arising in the ordinary course of business. Management does not believe any of them will have a material adverse effect on the Association's financial position and net assets.

Note 14 - Line of Credit

The Association has a revolving line of credit with a bank to fund temporary deficits in its working capital. The available balance on this line of credit was \$1,250,000 for the year ended June 30, 2024. The revolving line of credit renews annually. At June 30, 2024, the Association had no borrowings under the line of credit. Interest on the line of credit is payable based on the prime rate as published by the financial institution, not to fall below 5%. The interest rate at June 30, 2024 was 6.95%. Borrowings under this line of credit are secured by all Uniform Commercial Code business assets of the Association.

Note 15 - Tax Returns

At June 30, 2024, all required tax returns have been filed.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Financial Statements
June 30, 2024

Note 16 - Liquidity and Availability

The following represents the Association's financial assets at June 30, 2024, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

Cash	\$ 3,108,819
Investments (Level 1)	5,021,136
Accounts receivable	352,454
Grants and contracts receivable	<u>818,017</u>
Total Financial Assets	9,300,426
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(548,811)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 8,751,615</u>

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 17 - Correction of an Error in Previously Issued Financial Statements

The financial statements have been corrected for errors in previously issued financial statements. During the years 2008 and 2009, the Association entered into four forgivable loan agreements with the County of Essex under the Home Loan Program and a forgivable loan agreement with the U.S. Department of Housing and Urban Development that contain a restriction (see Note 8 to the financial statements). Management has determined that the forgivable loans payable should have remained as liabilities until the said loans are forgiven after the 20-year compliance period.

The forgivable loans payable were initially being amortized over the lives of the loans annually into net assets without donor restrictions. In 2023, a prior period adjustment was recorded to recognize the unamortized forgivable loans payable balances to net assets with donor restrictions based on professional advice.

Net assets as of July 1, 2023, have been adjusted to reduce net assets without donor restrictions by approximately \$1,184,000 and reduce net assets with donor restrictions by approximately \$1,067,000. Forgivable loans payable have been reinstated at \$2,251,000.

SUPPLEMENTARY INFORMATION

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Grantor's Number	Award Period	Program Award or Loan Amount	Loan Balance at Beginning of Year	Expenditures
Federal Awards:						
U.S. Department of Health and Human Services:						
Pass-through to State of New Jersey ("NJ") Department of Human Services – Division of Mental Health and Addiction Services: Block Grants for						
Community Mental Health Services	93.958	30209	07/01/23 - 06/30/24	\$ 1,221,534		\$ 1,221,534
Projects for Assistance in Transition from Homelessness	93.150	30209	07/01/23 - 06/30/24	283,737		283,737
Congressional Directives Spending Projects	93.493	H79FG000848- 01M002	09/30/22 - 09/29/24	300,000		104,937
Provider Relief Fund and American Rescue Plan Rural Distribution – (COVID-19)	93.498	N/A	N/A	71,412		<u>71,412</u>
Total U.S. Department of Health and Human Services						<u>1,681,620</u>
U.S. Department of the Treasury:						
Coronavirus State and Local Fiscal Recovery Funds – Family and Community Partnership – Pass-through to State of NJ – Department of Children and Families – (COVID-19)						
	21.027	MF0122	04/01/23 - 06/30/24	282,274		<u>282,274</u>
U.S. Department of Homeland Security:						
Disaster Grants – Public Assistance – Pass-through to the State of NJ – Office of Emergency Management – (COVID-19)						
	97.036	4488DR-NJ	N/A	7,772		<u>7,772</u>
Subtotal Expenditures of Federal Awards – Balance Carried Forward						<u>\$ 1,971,666</u>

See independent auditors' report and notes to the schedule of expenditures of federal and state awards.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Grantor's Number	Award Period	Program Award or Loan Amount	Loan Balance at Beginning of Year	Expenditures
Subtotal Expenditures of Federal Awards - Balance Brought Forward						<u>\$ 1,971,666</u>
U.S. Department of Housing and Urban Development:						
Community Development						
Block Grant:						
Pass-through to County of Morris, NJ - Department of Human Services - (COVID-19)						
	14.CDBG	N/A	N/A	\$ 157,213		157,213
Pass-through to Essex County, NJ						
	14.218	R-2023-00812	N/A	27,000		27,000
Pass-through to City of East Orange, NJ						
	14.218	N/A	N/A	20,049		<u>20,049</u>
						<u>204,262</u>
Supportive Housing:						
Pass-through to State of NJ NJ-504 - New - Newark Project - Loan						
	14.235	NJ0223B2F040900	N/A	829,000	829,000	<u>829,000</u>
Home Investment Partnership Program:						
Pass-through to County Of Essex - 354 Orange Road Project - Loan						
	14.239	N/A	N/A	850,000	850,000	850,000
Pass-through to County Of Essex - 134 Bay Avenue Project - Loan						
	14.239	N/A	N/A	182,000	182,000	182,000
Pass-through to County Of Essex - 99 North 16 th Street Project - Loan						
	14.239	N/A	N/A	110,000	110,000	110,000
Pass-through to County Of Essex - 184 Kingsland Street Project - Loan						
	14.239	N/A	N/A	280,000	280,000	<u>280,000</u>
						<u>1,422,000</u>
Subtotal U.S. Department of Housing and Urban Development - Balance Carried Forward						<u>\$ 2,455,262</u>
Subtotal Expenditures of Federal Awards - Balance Carried Forward						<u>\$ 1,971,666</u>

See independent auditors' report and notes to the schedule of expenditures of federal and state awards.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Grantor's Number	Award Period	Program Award or Loan Amount	Loan Balance at Beginning of Year	Expenditures
Subtotal Expenditures of Federal Awards - Balance Brought Forward						<u>\$ 1,971,666</u>
Subtotal U.S. Department of Housing and Urban Development - Balance Brought Forward						<u>\$ 2,455,262</u>
Continuum of Care Program:						
Pass-through to State of						
NJ - Supportive Housing						
Program - Homeless						
Outreach Services						
14.267		N/A	07/01/22- 06/30/23	20,592		13,420
Supportive Housing						
Program						
14.267		NJ0660L2F092201	11/01/23 - 10/31/24	79,084		16,653
Supportive Housing						
Program						
14.267		NJ0582L2F092204	07/01/23 - 6/30/2024	201,591		77,037
						<u>107,110</u>
Emergency Solutions Grant						
Program - Homeless						
Diversion Pilot 2021						
14.231		2021-05224-0282- 12	07/01/20 - 06/30/24	100,000		100,000
Total U.S. Department of Housing and Urban Development						<u>\$ 2,226,372</u>
Total Expenditures of Federal Awards - Balance Carried Forward						<u><u>\$ 4,634,038</u></u>

See independent auditors' report and notes to the schedule of expenditures of federal and state awards.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Grantor's Number	Award Period	Program Award or Loan Amount	Loan Balance at Beginning of Year	Expenditures
Total Expenditures of Federal Awards - Balance Brought Forward						\$ 4,634,038
State Awards:						
State of NJ - Division of Mental Health and Addiction Services:						
Involuntary Outpatient Commitment - Criminal Justice Program:						
Collaborative Justice Services (Jail Diversion)						
	N/A	30209	07/01/23 - 06/30/24	\$ 7,629,137		6,078,233
Projects for Assistance in Transition from Homelessness						
	N/A	30209	07/01/23 - 06/30/24	271,715		427,087
COVID Surplus Retention - (COVID-19)						
	N/A	30209	03/2020 - 09/2020	185,208		185,208
S.U.R.E. Unified Services						
	N/A	30209	07/01/23 - 06/30/24	150,000		150,000
Transaction Form Data Entry						
	N/A	N/A	09/28/23	13,500		13,500
Total State of NJ - Division of Mental Health and Addiction Services						6,854,028
State of NJ - Department of Children and Families:						
Family and Community Partnerships						
	N/A	MF0122	04/01/23 - 06/30/24	3,198,751		2,295,898
Children's System of Care						
	N/A	24CVGR	07/01/23 - 06/30/24	160,500		160,500
Total State of NJ - Department of Children and Families						2,456,398
Subtotal Expenditures of State Awards- Balance Carried Forward						\$ 9,310,426
Total Expenditures of Federal Awards - Balance Carried Forward						\$ 4,634,038

See independent auditors' report and notes to the schedule of expenditures of federal and state awards.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Grantor's Number	Award Period	Program Award or Loan Amount	Loan Balance at Beginning of Year	Expenditures
Total Expenditures of Federal Awards - Balance Carried Forward						<u>\$ 4,634,038</u>
Subtotal Expenditures of State Awards- Balance Carried Forward						<u>\$ 9,310,426</u>
State of NJ - Division of Food and Nutrition:						
Adult Care Food	N/A	10.558	N/A	133,221		<u>133,066</u>
State of NJ - Department of Community Affairs:						
Division of Housing and Community Resources	N/A	2021-05224- 0282-12	07/01/20 - 07/31/24	760,917		162,278
Division of Housing and Community Resources	N/A	2021-05224- 0282-12	02/01/24 - 04/30/25	460,000		<u>24,890</u>
Total State of NJ Department of Community Affairs						<u>187,168</u>
State of NJ Housing and Mortgage Finance Agency:						
NJHMFA - Loans	N/A	N/A	11/24/08 - 06/30/24	3,667,528	3,667,528	<u>3,667,528</u>
Total Expenditure of State Awards						<u>\$ 13,298,188</u>
Total Expenditures of Federal and State Awards						<u>\$ 17,932,226</u>

See independent auditors' report and notes to the schedule of expenditures of federal and state awards.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Schedule of Expenditures of Federal and State Awards
June 30, 2024

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of the Mental Health Association of Essex and Morris, Inc. (the "Association") under programs of the federal and state government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and the New Jersey OMB Circular 15-08. Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Association.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Administrative Requirements (CFR) Part 200, Cost Principles for Non-Profit Organizations, and the New Jersey OMB Circular 15-08, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through Entities

Pass-through entity identifying numbers are presented where available.

10% De Minimis Indirect Cost Rate

The Association has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Subrecipients

During the year ended June 30, 2024, the Association did not provide any funds relating to their federal or state programs to subrecipients.

Note 4 - Loan and Loan Guarantee Programs

As of June 30, 2024, \$2,251,000 and \$3,667,528 was outstanding from federal and state loan programs, respectively.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Mental Health Association of Essex and Morris, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America, the financial statements of Mental Health Association of Essex and Morris, Inc. (the "Association") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



MAGONE & COMPANY, P.C.

Parsippany, New Jersey
October 29, 2024



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE NEW JERSEY OFFICE OF MANAGEMENT AND BUDGET CIRCULAR LETTER 15-08

To the Board of Directors of
Mental Health Association of Essex and Morris, Inc.

Report on Compliance for Each Major Federal and State Program

Opinion on Compliance for Each Major Federal and State Program

We have audited Mental Health Association of Essex and Morris Inc.'s (the "Association") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement and the New Jersey OMB Circular Letter 15-08 that could have a direct and material effect on each of the Association's major federal and state programs for the year ended June 30, 2024. The Association's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular Letter 15-08. Our responsibilities under those standards, and the Uniform Guidance and New Jersey OMB Circular Letter 15-08 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Association's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance and New Jersey OMB Circular Letter 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance, and New Jersey OMB Circular Letter 15-8 we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB Circular Letter 15-8, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of federal and state programs on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of federal and state programs will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of federal and state programs that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey OMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.



MAGONE & COMPANY, P.C.

Parsippany, New Jersey
October 29, 2024

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Schedule of Findings and Questioned Costs
June 30, 2024

1. Summary of Auditors' Results

Financial Statements

- (i) Type of independent auditors' report issued? Unmodified
- (ii) Internal control over financial reporting:
- Material weakness identified? [] Yes [X] No
 - Significant deficiencies identified that are not considered to be material weaknesses? [] Yes [X] None Reported
- (iii) Noncompliance or other matters material to financial statements noted? [] Yes [X] No

Federal and State Awards

- (iv) Internal control over major program:
- Material weakness identified? [] Yes [X] No
 - Significant deficiency identified that are not considered to be material weaknesses? [] Yes [X] None Reported
- (v) Type of independent auditors' report issued on compliance for major program? Unmodified
- (vi) Any audit findings disclosed that are required to be reported under 2CFR § 200.516(a) and New Jersey OMB Circular 15-08? [] Yes [X] No
- (vii) Identification of major programs:
- U.S. Department of Health and Human Services – Block Grants for Community Mental Health Services – Pass-through to the State of New Jersey Department of Human Services – Division of Mental Health and Addiction Services – AL #93.958 – Grant Number 30209
 - U.S. Department of Health and Human Services – Projects for Assistance in Transition from Homelessness – Pass-through to the State of New Jersey Department of Human Services – Division of Mental Health and Addiction Services – AL #93.150 – Grant Number 30209
 - U.S. Department of the Treasury – Coronavirus State and Local fiscal Recovery Funds – Family and Community Partnerships – Pass-through to the State of New Jersey Department of Children and Families – AL #21.027 – Grant Number MF0122

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Schedule of Findings and Questioned Costs
June 30, 2024

1. Summary of Auditors' Results (cont'd.)

(vii) Identification of major programs (cont'd.):

- U.S. Department of Housing and Urban Development – Supportive Housing – Pass-through to the State of New Jersey – Loan - AL #14.235 - Grant Number NJ0223B2F040900
- U.S. Department of Housing and Urban Development – Home Investment Partnership Program – Pass-through to the County of Essex – Loans - AL #14.239
- The State of New Jersey – Division of Mental Health and Addiction Services – Involuntary Outpatient Commitment – Criminal Justice Program – Collaborative Justice Services (Jail Diversion) – Grant Number 30209
- The State of New Jersey – Division of Mental Health and Addiction Services – Involuntary Outpatient Commitment – Criminal Justice Program – Projects for Assistance in Transition from Homelessness – Grant Number 30209
- The State of New Jersey – Department of Children and Families – Family and Community Partnerships – Grant Number MF0122
- The State of New Jersey Housing and Mortgage Finance Agency – NJHMFA Loan

(viii) Federal awards expensed that exceeded \$750,000 were considered Type A programs.

(ix) The Mental Health Association of Essex and Morris, Inc. was not determined to be a low-risk auditee.

2. Financial Statement Findings

None reported.

3. Federal and State Awards Findings and Questioned Costs

None reported.

4. Summary Schedule of Prior Audit Findings

Item 2023-001- During the current year audit, it was noted that in prior periods, certain loans were recorded on a basis not consistent with accounting principles generally accepted in the United States (US GAAP).

Criteria: The recording on historic forgivable loans was not in accordance with current US GAAP, and therefore an adjustment was needed in the current year.

Condition: The incorrect recording of loans in the prior periods required a prior period adjustment to be recorded.

Cause: Forgivable loans were not evaluated upon adoption of ASU 2018-08.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Schedule of Findings and Questioned Costs
June 30, 2024

4. Summary Schedule of Prior Audit Findings (cont'd.)

Questioned Costs: None.

Effect: Prior year balances need to be restated in the current year to properly reflect the recording of forgivable loans.

Auditors' Recommendation: As new accounting standards evolve, management should continue to evaluate historic positions to determine that accounting treatments remain appropriate.

Identification as a Repeat Finding, if applicable: Not applicable.

Management's Response Fiscal Year 2024 Update: